FILE COPY

Office - Supreme Court, U. S.
FILED
NOV 4 1948
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 395

CONSUMERS COMPANY,

Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

JOSEPH B. FLEMING,
CARL S. LLOYD,
LLOYD M. BOWDEN,
Attorneys for Petitioner.

THE SOUTHWORTH-WARREN PRINTING COMPANY, 310 WEST JACKSON, CHICAGO

SUBJECT INDEX.

	PAGE
Petition for a writ of certiorari	1
Summary and short statement of the matter involved	2
Jurisdiction	4
Opinions below	4
Questions presented	4
Reasons relied on for allowance of the writ	5
Brief in support of petition	7
The facts	7
Applicable decisions	9
Conclusion	17

TABLE OF CASES CITED.

Computing Scale Co. v. Standard Computing Scale Co., 118 Fed. (2d) 965 (C. C. A. 6)	15
DeLong Co. v. Hump Hairpin Co., 297 Ill. 359, 365	12
Elgin Butter Company v. Elgin Creamery Company, 155 Ill. 127, 137	12
Fidelity Bond & Mortgage Company v. Fidelity Mortgage Company, 12 Fed. (2d) 582 (C. C. A. 6)	13
France Milling Company v. Washburn Crosby Co., 7 Fed. (2d) 304 (C. C. A. 2)	15
General Industries Co. v. 20 Wacker Drive Building Corporation, 156 Fed. (2d) 474	11
Harlan-Wallins Coal Corp. v. Transcontinental Oil Company, 64 Fed. (2d) 122	16

Hazelton Boiler Company v. Hazelton Tripod Boiler Company, 142 Ill. 494, 508 12

Howe Scale Company v. Wyckoff, 198 U. S. 118 .....9, 12

Johnson Mfg. Co. v. Johnson Skate Co., 313 Ill. 106 .. 12

Lady Esther, Ltd. v. Lady Esther Corset Shoppe, Inc., 317 Ill. App. 451 .....13, 14

Landers, etc. v. Universal, 85 Fed. (2d) 46, 48 15

Standard Oil Co. v. N. M. v. Standard Oil Co. of Cal., 56 Fed. (2d) 973, 977 (C. C. A. 10) 12

Standard Paint Co. v. Trinidad Asphalt Co., 220 U. S. 46 15

Stevens-Davis Co. v. Mather & Co., 230 Ill. App. 45 .. 14

Time v. Viobin Corp., 128 Fed. (2d) 860, 862 (C. C. A. 7) 14

Warshawsky & Co. v. A. Warshawsky & Co., 257 Ill. App. 571, 584-6 12

Waterman Co. v. Modern Pen Co., 235 U. S. 88, 94 ...10, 12

TEXTBOOKS CITED.

Nims on Unfair Competition, 4th Ed., Vol I, 230 15

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. .....

CONSUMERS COMPANY,

Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Consumers Company, respectfully petitions this Court to review on writ of certiorari a judgment of the United States Court of Appeals for the Seventh Circuit entered July 16, 1948, in the case of Consumers Petroleum Company *vs.* Consumers Company, No. 9407, reversing in part, by a two-to-one decision, a judgment of the United States District Court for the Northern District of Illinois, Eastern Division, in favor of your petitioner. A petition for rehearing in said cause was denied by the Court of Appeals by an order entered August 19, 1948.

Summary and Short Statement of the Matter Involved.

The action, filed February 16, 1940, was for alleged unfair competition and sought to enjoin defendant from "using the name 'Consumers' in connection with the buying, selling, manufacturing and dealing in petroleum and its by-products * * * in the City of Chicago, and State of Illinois, and from selling or distributing or advertising for sale any of the aforesaid products under the name 'Consumers Company' * * *." (Tr. 8, 9.) An accounting was also sought.

The defendant (petitioner), whose predecessor (hereinafter included in the terms "defendant" and "petitioner" since both Courts held there was no question about the succession) had conducted a large business in fuel and building materials in the Chicago area under the name "Consumers Company"* for thirteen years before the plaintiff (respondent) corporation was organized in 1925, denied unfair competition and counterclaimed against the plaintiff for unfair competition and for infringement of a trade-mark (in the form of a distinctive seal) which had long been identified with defendant's business. The District Court dismissed the complaint and the counterclaims (the latter because of long delay on the part of the defendant in asserting the charges therein contained). (Tr. 300-305.) The plaintiff appealed from the dismissal of the complaint but no appeal was taken from the dismissal of the counterclaims. The Court of Appeals affirmed the District Court in respect to damages and (by a divided court) reversed it in respect to the injunction issue. (Tr. 328, 350.)

* The corporate name of defendant's predecessor from 1913 to 1937 was "Consumers Company". Upon reorganization in 1937 the name became "Consumers Company of Illinois", which was changed back to "Consumers Company" in 1940. It was then stipulated (Tr. 38) that "the parties will proceed as if the proceedings were now by name specifically against 'Consumers Company'".

After denial of the petition for rehearing, a petition for clarification of the Court's opinion was filed since it was not believed to be clear from the majority opinion whether it was intended that petitioner should be enjoined from making any use of, or reference to, its corporate name in connection with its fuel oil business or that the injunction should be a conditional one which would not put the petitioner out of that business. This petition was denied on September 24, 1948, without opinion.

The alleged unfair competition of the defendant was merely the addition in 1927 of fuel oil to its line of fuel products (which since 1913 had included coal, coke, wood and petroleum carbon) and a large expansion of its fuel oil business in 1938.

The majority opinion, while holding that an injunction should be issued, stated that "the defendant was guilty of no fraud or palming off" and that "In fact, we are satisfied there is nothing in defendant's conduct that demonstrates a lack of honesty or good faith". (Tr. 90, 101.) Furthermore, it did not hold that there was any secondary significance in the plaintiff's name and the dissenting opinion said (Tr. 347) that "there is no finding of secondary meaning attaching to the word as used by the plaintiff". The District Court in effect found that defendant's name and the word "Consumers" had acquired a secondary meaning in the fuel business in the Chicago area indicating the defendant, not the plaintiff. (Tr. 280, 304.)

The majority opinion held (Tr. 335) that "The word 'consumers' is a common word • • •", and the dissenting opinion said (Tr. 347) that it "is a descriptive word in the public domain incapable by the mere act of appropriation of becoming the exclusive property of anyone".

The District Court and the dissenting opinion in the Court of Appeals held that plaintiff deliberately adopted a

name similar to the defendant's and imitated the well-known and widely advertised seal which defendant had long used in its business, in order to benefit from defendant's favorable reputation. (Tr. 304, 348.) The majority in the Court of Appeals did not deny this but apparently thought it was immaterial.

Jurisdiction.

The jurisdiction of this Court is invoked under Section 240(a) of the United States Judicial Code, as amended (28 U. S. C., Sec. 347).

Opinions Below.

The majority and dissenting opinions of the Court of Appeals are reported in 169 Fed. (2d) 153 and appear in the Transcript at pages 328-349. The findings and conclusions of the District Court were not published but are set out in the Transcript at pages 300-305.

Questions Presented.

The principal question presented is whether a long-established corporation, acting honestly and in good faith and being guilty of no fraud or palming off, may be enjoined from using its corporate name in the business of marketing a new specific product in the same general field in which it has been engaged, and in which it has created a valuable good will, at the instance of a corporation subsequently formed under a similar name, especially when there is no finding of secondary significance in the later corporation's name and it is not inherently distinctive.

An auxiliary question is whether a finding by the District Court (Tr. 304-5) in such a case, supported by ample evidence, that the later corporation adopted its name in bad faith, with the intent of profiting from the defendant's rep-

utation and good will, and was in a court of equity with unclean hands, may be disregarded by the Court of Appeals.

Reasons Relied on for Allowance of the Writ.

The majority of the Court of Appeals has decided an important question of law in a way in conflict with the applicable decisions of the Illinois courts and with applicable decisions of this Court and of other United States Courts of Appeals. The question is perhaps primarily one of local law, since it falls within the realm of unfair competition, but similar questions have been dealt with by this Court and by various federal courts without particular reference to the local law of the states in which the cases arose and therefore there may be said to be also a body of federal law on the question involved.

The general importance of the question resides in the fact that the majority opinion, if it stands and is followed, would deprive corporations of property rights of incalculable value (often worth many millions of dollars) in their names, and would encourage unscrupulous persons to appropriate names of businesses which have become well known to the public. If, by adopting or closely simulating the name of a well and favorably known corporation and engaging in the business of marketing a specific product in the general field of that corporation which it would be likely to add to its line in normal course but has not yet begun to sell, a later corporation could not only gain the right to use the name but prevent the earlier corporation itself from using it in connection with such a product, a "chiseler" could reap an unjust reward and even place himself in position to exact unconscionable tribute from the older corporation for permitting it to make a normal expansion of its business. Furthermore, the public is entitled to be protected in its dealings with a well-

known corporation whose integrity it has come to know and to identify with the name.

A further reason for allowance of the writ is to resolve the doubt on the question of law involved which is clearly indicated by the vigorous opinions of two of the federal judges who have considered the case, diametrically opposed to the opinion of the other two.

Another reason is to prevent the great and irreparable hardship upon and loss to the petitioner which would result from what the dissenting opinion called the majority's "misconception of the issue here". (Tr. 347.) If respondent's interpretation of the majority's opinion (which it has refused to clarify), namely, that it means that petitioner should be enjoined from making any use of its corporate name or the word "Consumers" in connection with the fuel oil business, *which in effect would prevent petitioner from engaging in that business,* should prevail, a major part of petitioner's large business, which is carried on throughout the Chicago area, would be destroyed. It is accordingly believed that the prospect of such disastrous consequences to an admittedly innocent party should also be regarded as an adequate reason for allowance of the writ.

BRIEF IN SUPPORT OF PETITION.

The Facts.

The facts in this case are simple and, in general, have been indicated above.

Your petitioner, "Consumers Company", the defendant in the above-entitled action, and its predecessor of the same name, had carried on a large and well-known business in the Chicago metropolitan area for many years before the respondent, plaintiff in said action, was organized on December 28, 1925, under the name "Consumers Petroleum Company". (Tr. 185 and 175.) The founder of the plaintiff company, Isador L. Schurman, was familiar at that time with the petitioner's business, which previously had been, and was thereafter, widely advertised through various media throughout the city. (Tr. 38, 45, 107 and 224.)

Petitioner had not yet begun to sell fuel oil, which was then coming into general use, but had dealt extensively in other fuels, namely, coal, coke, wood and petroleum carbon. (Tr. 90, 101, etc.) It began the sale of fuel oil in a small way in 1927 (about a year and a half after respondent started) and, beginning at that time, it advertised this product widely (through newspapers, billboards and signs and in the classified telephone book where it inserted a display advertisement of fuel oil adjacent respondent's listing). (Tr. 95-101 and Df's. Exhs. 19-110.) It always thereafter sold this product as well as others under its own name and for its own account (not as agent) but until 1938 it filled its orders with oils of the Standard Oil Company, which made the deliveries. In 1938 petitioner put in its own bulk storage tanks and thereafter made its own deliveries. At that time its volume was greatly increased

and its business in this type of fuel has assumed large proportions. (Tr. 230-233.)

The respondent has continuously sold fuel oil since its organization on December 28, 1925. No explanation was offered on its behalf for selection of the name "Consumers Petroleum Company" and its use of the abbreviation "Consumers" in the same general way that petitioner had previously used it (as the record shows to be the case, Tr. 35, 175), except that Schurman testified (Tr. 44) that he called the petitioner and was told by an operator that the Consumers Company did not sell fuel oil.

The facts showing respondent's lack of good faith in imitating petitioner's name and seal and the other pertinent facts are clearly brought out in the findings of the District Court (Tr. 300-305), one of which is here quoted:

> "17. Plaintiff, in adopting the name Consumers Petroleum Company, in using a seal with the words 'Consumers' and 'Guaranteed' prominently displayed thereon (as defendant had done for a long time), and in using the word 'Consumers' to identify its business in the manner aforesaid, was motivated, in the Court's opinion, by the fact that defendant had previously made the name 'Consumers' and said distinctive seal well known in the fuel business in Chicago and by a desire and intent on the part of plaintiff to profit from defendant's reputation and good will. Its adoption of a similar name and seal is hereby found not to have been innocent or accidental."

The majority opinion did not reject the findings of fact of the District Court but merely said (Tr. 331) (referring to the question of whether, under the Rules of Civil Procedure, the District Court's findings or the findings of the Master should be accepted by the Court of Appeals as presumptively correct):

> "We think there is no occasion to discuss the effect which should properly be given these rules because, as

> we view the matter, the result reached by the court, contrary to that of the Master, was occasioned in the main by the application of different principles of law."

We think it is clear, therefore, that the District Court's findings are to be taken as correct, as indeed they must be under Rule 52(a), FRCP, unless found by the upper court to be "clearly erroneous". It was accordingly clear error for the Court of Appeals to disregard them on the issue of unclean hands and the other fact issues in the case.

Respondent made no protest against petitioner's engaging in the fuel oil business until 1940 after petitioner, with respondent's knowledge and affirmative acquiescence, had spent large sums on facilities for greatly enlarging this branch of its business. (Tr. 301.) The District Court therefore held that respondent was barred by laches and estoppel, as well as by unclean hands and because of the complete lack of any wrongdoing by the petitioner.

Judge Minton in his dissenting opinion (Tr. 345) strongly concurred in the findings and conclusions of the District Court and his opinion clearly states the facts and the applicable principles of law which led him to the conclusion that "The only evidence of questionable conduct in the instant case is that of the plaintiff". (Tr. 349.)

Applicable Decisions.

The majority opinion is believed to be based on a definitely wrong conception of the law of unfair competition as it applies to corporate names and to be in conflict with many authoritative decisions, a few of which will now be mentioned.

This Court in the case of *Howe Scale Company* v. *Wyckoff*, 198 U. S. 118, said:

> "The principle that one corporation is not entitled to restrain another from using in its corporate title a

name to which others have a common right, is sustained by the discussion in *Columbia Mill Company* v. *Alcorn*, 150 U. S. 460, and is, we think, necessarily applicable to all names *publici juris*. p. 137.

* * * * *

"* * * Courts will not interfere where the only confusion, if any, results from a similarity of the names and not from the manner of the use.

* * * * *

"We hold that, in the absence of contract, fraud or estoppel, any man may use his own name, in all legitimate ways, and as the whole or a part of a corporate name." p. 140.

The majority opinion in the instant case recognized the importance of this decision but expressed the view that its "rationale has been considerably limited by more recent decisions". The only Supreme Court case which it cited as an example of such decisions is *Waterman Co.* v. *Modern Pen Co.*, 235 U. S. 88, in which this Court said at page 94 that:

"* * * it now is established that when the use of his own name upon his goods by a later competitor will and does lead the public to understand that those goods are the product of a concern already established and well known under that name, and when the profit of the confusion is known to, and, if that be material, is intended by the later man, the law will require him to take reasonable precautions to prevent the mistake."

The defendant there was found guilty of fraudulent conduct and it is perfectly clear that the exception recognized in that case does not apply to the present petitioner, which is the older corporation and was expressly found to have acted honestly and in good faith. Furthermore, even in the facts of the *Waterman* case, all this Court required was that the defendant "take reasonable precautions to prevent the mistake"—not an injunction against the use of the name.

While the majority opinion here is not explicit as to scope of the injunction which it would require the District Court to issue, the Court of Appeals has refused to clarify its opinion and the respondent is contending for an injunction which would prevent the petitioner from making any use of its corporate name or the word "Consumers" in connection with the fuel oil business. Since obviously a corporation cannot conduct any line of business without making some use of its name, such an injunction would put the petitioner out of the fuel oil business, which would be utterly unconscionable and would serve no legitimate purpose.

We think it is safe to say that *it has never before been held that use of a corporate name should be enjoined in the absence of fraud, deception or palming off on the part of the defendant and in the absence of a secondary significance in the plaintiff's name.* Certainly no decision so holding was cited in the majority opinion or by counsel for the respondent in this case. *Therefore the majority opinion is utterly unsupportable by authority and is directly contrary to all applicable decisions.*

The Court of Appeals for the Seventh Circuit itself recognized the correct principle in an earlier case, *General Industries Co.* v. *20 Wacker Drive Building Corporation,* 156 Fed. (2d) 474, in which it said at page 478:

> "* * * To entitle a private party to equitable relief, there must be wrong added to incidental confusion in the use of similar names, such as fraud, deception, or palming off, or the name which it has sought to protect must have acquired a secondary meaning. A court of equity will not enjoin the use of a similar name because of the incidental confusion in the use of that name."

The majority here, in declining to follow the principle there clearly stated, pointed out certain factual differences

between the two cases but if the principle is correct (as we think it clearly is) there is certainly nothing in the facts of this case to prevent application of it here. In fact the strong equities against the respondent, growing out of the circumstances above recited, should make it particularly applicable.

The same principle has been recognized and consistently followed by the Illinois courts. *Hazelton Boiler Company* v. *Hazelton Tripod Boiler Company,* 142 Ill. 494, 508 (cited and quoted from in the dissenting opinion here), and *Elgin Butter Company* v. *Elgin Creamery Company,* 155 Ill. 127, 137, are examples of Illinois Supreme Court decisions which state the law in substantially the same way.

The opinion in the latter case states that the same rule applies to corporations as to natural persons, and to the same effect are the *Waterman* v. *Modern Pen* case (235 U. S. 88, 94) and *Standard Oil Co. of N. M.* v. *Standard Oil Co. of Cal.,* 56 Fed. (2d) 973, 977 (C. C. A. 10), which also held that natural expansion of the business of a senior corporation cannot be blocked by appropriation of a similar name by a junior corporation.

The majority opinion, in seeking to distinguish the *Elgin* case and the *Howe Scale Co.* case, referred to several later Illinois cases, which, as shown by Judge Minton, are not contrary to the principles set forth in the above cases at all. One of them is *Johnson Mfg. Co.* v. *Johnson Skate Co.,* 313 Ill. 106. In that case, despite secondary significance and fraud (which fully distinguish it from this one), the court refused to enjoin all use of the defendant's name, although it required the defendant to use the phrase "Not connected with the Nestor Johnson Mfg. Co." Other Illinois cases of the same type are: *DeLong Co.* v. *Hump Hairpin Co.,* 297 Ill. 359, 365, and *Warshawsky & Co.* v. *A. Warshawsky & Co.,* 257 Ill. App. 571, 584-6.

In *Fidelity Bond and Mortgage Company* v. *Fidelity Mortgage Company*, 12 Fed. (2d) 582, the court (C. C. A. 6) said:

> "It has never been held, so far as we are aware, that one has no right to engage in a particular business in his own name, because another of the same name is already engaged in such business in his name. The most that has been held is that circumstances may be such that he should prevent his goods being confused with those of the other, by explaining in some way that they are his goods, and not the goods of such other person."

If there is any exception to that broad statement it could only be in cases of strong secondary significance in the plaintiff's name or fraud on the part of the defendant, neither of which elements exists here. In the present circumstances not only would an injunction that would prevent petitioner from continuing in the fuel oil business (by enjoining all use of its name in that business) be unthinkable but, in view of petitioner's priority and good faith in the use of its name and the complete lack of fraudulent conduct on its part, as well as respondent's bad faith and lack of secondary meaning in its name, there is, in our opinion, very clearly no basis under the authorities for any form of injunction.

Another Illinois case referred to in the majority opinion is *Lady Esther, Ltd.* v. *Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451. In that case relief was granted to a cosmetic manufacturer against use of the name "Lady Esther" by a corset shop because of strong secondary significance attached to the plaintiff's name and bad faith on the part of the defendant. The case plainly is not applicable here because of the absence of both of these factors and for the further reason hereinafter pointed out. In this connection it should be noted that prior to the *Lady*

Esther case "palming off" was held by both the State and federal courts to be an absolute essential of an unfair competition action in Illinois. It was so held in *Stevens-Davis Co.* v. *Mather & Co.*, 230 Ill. App., 45, which was referred to in *Time* v. *Viobin Corp.*, 128 Fed. (2d) 860, 862 (C. C. A. 7) as follows:

> "In the Stevens-Davis case is found a lengthy discussion and analysis of Illinois cases, as well as those of other jurisdictions, and a determination that the so-called 'palming off' doctrine is the rule in Illinois. On page 65, of 230 Ill. App., the court said: 'The courts in this State do not treat the "palming off" doctrine as merely the designation of a typical class of cases of unfair competition, *but they announce it as the rule of law itself—the test by which it is determined whether a given state of facts constitutes unfair competition as a matter of law.* * * *'." (Emphasis added.)

Since in the *Lady Esther* case the parties were not in competition the traditional Illinois palming off rule could not be applied and because of the defendant's wrongdoing, the court made an exception for that particular kind of a case. That the exception is not applicable here, however, is clearly shown by the emphasis placed on the elements of secondary significance and fraud and by the following statement in the opinion:

> "Without stopping to analyze the four cases [Stevens-Davis case and others], we think it sufficient to say that an examination of them discloses the fact that in each there was direct competition between the parties in the business each was conducting—plaintiff and defendant being engaged in the same line of business—*and therefore the palming off rule was applicable.*" (Emphasis added.)

Judge Minton fully distinguished this case by pointing out that it was a "secondary meaning" case and by saying (Tr. 347): "Since in this case the parties are in competition, the issue raised by such cases is not involved." The

majority opinion ignored and is in direct conflict with the firmly established Illinois law on this subject. That descriptive or generic words cannot be appropriated by anyone to the exclusion of others, either as part of a company name or as a trade-mark, in the absence of secondary meaning, has been held in many cases, including *Computing Scale Co.* v. *Standard Computing Scale Co.*, 118 Fed. (2d) 965 (C. C. A. 6) and *Standard Paint Co.* v. *Trinidad Asphalt Co.*, 220 U. S. 46. And it is well established that where such words are involved, and the plaintiff cannot show secondary meaning, "priority of use does not avail". Nims on Unfair Competition, 4th Ed., 230 (cited in dissenting opinion, Tr. 346). Therefore respondent's narrow margin of priority in the oil branch of the fuel business clearly gives it no right to exclude petitioner from that branch of the business.

The majority opinion mistakenly accepted a supposed analogy to certain trade-mark cases such as *France Milling Company* v. *Washburn Crosby Co.*, 7 Fed. (2d) 304 (C. C.A. 2) in which the court held that "straight" wheat flour and "prepared" flours were not goods of the same descriptive properties and that the use of the trade-mark "Gold Medal" by a senior user for one type of flour did not give it the right to prevent use of it by a junior user for the other type. Whatever may be said about the correctness of this decision, which, except for very special facts creating an estoppel, is certainly open to question as indicated by the same court in the later case of *Landers, etc.* v. *Universal*, 85 Fed. (2d) 46, 48, it clearly does not apply here where neither party uses the word "Consumers" as a trade-mark (Tr. 301) and where the basic question involved is the inherent right of an innocent party to do business honestly and non-deceptively under its long-established corporate name.

On the question of whether coal and coke are goods of the same descriptive properties as fuel oil, the only case

directly in point which was cited on either side is *Harlan-Wallins Coal Corp.* v. *Transcontinental Oil Company,* 64 Fed. (2d) 122, in which the Court of Customs and Patent Appeals held that they are, saying:

> "* * * They are used for the same purposes, and are sold in competition with each other, by the same dealers, have, to a degree, the same origin, and are closely associated in the public mind. In such cases, it needs little argument to convince one that the prior owner and user of a registered trade-mark on one of these products should be protected against registration of substantially the same mark, by a newcomer who sells the other product.
>
> "The use of coal and oils as fuel is so near akin that we have said that devices for feeding the same, respectively, to furnaces, are goods of the same descriptive properties." (Cases cited.)

The pertinency of that case to the issues here (so far as there is any analogy to trade-mark cases) seems apparent and its conclusion is fully borne out by the evidence in this case as well as in that one; yet the majority opinion dismissed it merely with the arbitrary statement: "We are not impressed, however, with the pertinency of this holding as it relates to the instant case."

It will, of course, also be borne in mind that the issue here is not the right of the petitioner to exclude the respondent from the use of the name but merely its right to continue to carry on its fuel oil business under the corporate name by which it has been known for thirty-five years. The astonishing conclusion arrived at by the majority of the Court of Appeals on this issue is, we submit, entirely out of harmony with all truly applicable decisions and with the basic principles of equity.

Conclusion.

This is believed to be a case in which it is particularly appropriate that this Court should exercise its power of review and supervision. Two federal judges have held each way on the injunction issue involved and the majority in the Court of Appeals has not only reached a most inequitable result from the standpoint of the litigants (threatening the very existence of petitioner's large and perfectly legitimate fuel oil business) but has decided the question at issue in a way in conflict with the applicable decisions of the Illinois and federal courts, including decisions of this Court.

Furthermore, if the majority opinion stands it will have far-reaching undesirable consequences in limiting the rights of corporations in the honest use of their names and in encouraging unscrupulous persons to simulate well-known business names. The case is therefore one of substantial public as well as private importance.

Accordingly your petitioner respectfully prays that (1) this petition be granted to the end that the cause may be reviewed and determined by this Court; (2) that the judgment of the Court of Appeals, entered pursuant to the majority opinion, be reversed; and (3) that petitioner be granted such further relief as may be just and proper.

JOSEPH B. FLEMING,

CARL S. LLOYD,

LLOYD M. BOWDEN,
Attorneys for Petitioner.

November 1, 1948.

SUBJECT INDEX.

	PAGE
Reply Brief for Petitioner	1
The Issue and the Facts	1
The Authorities Relied on in Respondent's Brief.	8
Conclusion	10

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 495

CONSUMERS COMPANY,

Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,

Respondent.

REPLY BRIEF FOR PETITIONER.

The Issue and the Facts.

The respondent's brief seeks to confuse the issue and disguise the plain fact that *the only question here involved is whether the petitioner has the right to engage, honestly and in good faith, in the fuel oil business under the name by which it has been known throughout the Chicago area since 1913.* If it is held not to have this right the case will be a precedent which will greatly limit the natural growth of corporations and other business entities which are leaders in their respective fields and will, to a large degree, lessen the value of the good will attached to their names; and it will place a premium on deception of the public by the imitation of names which have become well known and entitled to trust and confidence.

The decision of the majority in the Court of Appeals is

not based on any special or peculiar facts, as respondent's counsel would have this Court believe, but on the strikingly mistaken view that petitioner had no legal right to add fuel oil to its line of fuel products and cannot continue that large branch of its business, however honestly and innocently, under the name "Consumers Company" by which it was widely known long before respondent adopted its imitative name. *The bare question of the use by petitioner of its own name (with the unfortunate precedent which would result from a denial of this right) is all that is involved.*

As pointed out in the petition, it was held by the Master and the District Court, and in both the majority and dissenting opinions of the Court of Appeals, that there was no fraud, palming off or misrepresentation of any kind by petitioner. As stated in the majority opinion, "there is nothing in defendant's conduct that demonstrates a lack of honesty or good faith." Therefore there is no issue of fact presented but only the single legal issue above stated.

Respondent states in its brief at page 11:

> "Petitioner argues that it was natural to expect it to extend its business from coal and coke to fuel oil. This *we do not deny*, but it cannot engage in the new field *in a manner* inimical to one already in the field." (Italics ours.)

If it was "natural", and therefore proper, (as it certainly was) for petitioner to extend its fuel business to include fuel oil, there clearly is no ground for an injunction, because the "manner" in which petitioner has used its name is not in question. Not one unfair or improper act by petitioner has been proved or even suggested.

Respondent's position thus presents an absolute paradox. It, in effect, admits in one breath that petitioner has the

right to engage in the fuel oil business (as it could not well deny) and in the next (by contending that petitioner may not use its name in that business) says it may not exercise such right. By pretending that the "manner" of use is in some way involved (which it must know, and which has been unanimously held, not to be true), respondent seeks to divert attention from this contradiction and to obtain indirectly what it could not with any reason ask directly, namely *an injunction which would prevent petitioner from engaging in the fuel oil business.*

Obviously a corporation cannot be identified except by its name and if it may not use its name in a line of business *it cannot engage in that business.* Respondent has never had the temerity openly to contend that petitioner may not carry on the fuel oil business. In fact it has throughout the case ostensibly admitted that it may, as, for instance, in its brief in the Court of Appeals in which it said at page 96: "We concede that defendant had a right and still has a right to engage in the fuel oil business." But by urging, as it does on page 13 of its brief here, that "petitioner be enjoined from using its corporate name or the trade name 'Consumers' in the sale and marketing of fuel oil", *it belies its words and seeks the very result which it elsewhere admits it is not entitled to.*

The majority in the Court of Appeals evidently failed to perceive this dilemma and has reached a result so shocking to one's sense of equity and so contrary to the established law of corporate names that we feel very strongly that this is one of those exceptional cases which should be taken by this Court on writ of certiorari.

Petitioner, at the time respondent entered the fuel business, (Dec. 28, 1925) under the same name (with the insertion of the word "Petroleum"), and using a similar trade symbol (the distinctive seal shown at page 225 of the

Record), was one of Chicago's largest and best known businesses. (Tr. 89, 90, 187.) Respondent's purpose in so simulating petitioner's name and seal was crystal clear. That this purpose was, to some extent at least, accomplished is shown by the testimony of one of respondent's own witnesses, Stephen Benicke, who said (Tr. 68) that "I was not familiar whether Consumers Coal and Coke [evidently referring to petitioner] was the main plant and the Petroleum Company was a subsidiary whereby they sell their oil from." Whatever slight confusion was shown by the evidence resulted solely from respondent's wilful imitation of petitioner's name and obviously there was no difference in this respect after 1938 than before that year.

To permit one who not only was much later in entering the fuel field but whose bad faith is clearly apparent, to prevent the older corporation from making a natural extension of its fuel business under the name which it established and to which it gave meaning in the fuel field in the Chicago metropolitan area would be so inequitable and unprecedented as to be incredible. And, as above mentioned, the consequences of such a precedent, particularly in encouraging unscrupulous persons to appropriate established company names for a closely related line of business, thereby misleading the public and reaping where others have sown, would be so serious that the case has a degree of public importance calling with unusual clarity for intervention by this Court.

Respondent further seeks to becloud the facts of the case by quoting on page 10 of its brief an excerpt from the majority opinion which, standing alone, seems to say categorically that petitioner did not start in the fuel oil business until 1938. As a matter of fact the opinion elsewhere (as at Tr. 333) recognized, as is the indisputable fact, that petitioner entered the fuel oil business in 1927, not 1938. The opinion acknowledged (Tr. 333) that "defendant sub-

sequent to 1927 advertised fuel oil to a limited extent" and it quoted (at Tr. 332) a portion of the Master's report in which it was said: "Commencing in 1927, Consumers Company [defendant] began advertising the sale of fuel oil for domestic users and began the solicitation of orders therefor." In a later quotation from the report on the same page the following appears: "Defendant continued to carry on its method of selling fuel oils as it had done since 1927." Respondent knew all about petitioner's entry into the fuel oil business in 1927, as shown, for example, by the petitioner's advertisements in the January 1928 Chicago classified telephone directories next to respondent's listing. (Df's Exhs. 108-110, Tr. 99. See also Tr. 287, 229 and 239.)

The fact of the 1927 date being fully established, it is wholly immaterial that no reference was made to fuel oil (or to certain of its other products) in petitioner's annual reports until the 1939 report. Respondent's statement on page 8 of its brief that this report said petitioner "had entered the fuel oil business" the previous year misquotes the report, which in fact said petitioner entered the *distribution* of fuel oil in that year. It had previously had its deliveries made by the oil company from which it bought its oil and this was merely an announcement of a change in method of delivery. The inferences sought to be drawn from other circumstantial evidence, as, for example, Df's Exh. 201 [200] mentioned in the majority opinion are likewise unwarranted and immaterial in the face of the incontrovertible proof of the 1927 date. Incidentally said Exh. 200 is wholly incompetent against petitioner because the only evidence regarding it was that it was written by respondent, not petitioner.

It is true that petitioner's volume of fuel oil sales was not large until 1938 but, without doubt, such sales were continuous and widely advertised from 1927 on, as shown on page 7 of our petition, and the statement in the ma-

jority opinion (Tr. 333) that petitioner "made no sales of such fuel oil under its corporate name until 1938" is plainly mistaken. Every sale it made was under its corporate name and for its own account and under its regular guaranty. This is shown by petitioner's sales tickets, on all of which petitioner's name as the seller (not as agent) appears. A few of these (Df's Exhs. 159-162; Tr. 192, 193) were offered in evidence and it was stipulated that these were typical of all the tickets contained in a bundle over a foot high (covering the period 1927-1938) which was produced at the hearing. The above-quoted statement in the opinion is thus directly contrary to the undisputed evidence.

Respondent's brief at page 2 misquotes the findings of the Master, particularly in saying that he found respondent had built up a very valuable good will "for respondent company, its business, its products and its trade names". The Master in fact made no reference to names but merely said (Tr. 332) that respondent had "spent large sums of money in and about advertising the products it offered for sale, for the purpose of building up a good will for those products. It has built up a very valuable good will". He made exactly the same finding in respect to the petitioner. (Tr. 331.) By no possible stretch of the language is this a finding of secondary significance in the respondent's name, and the majority opinion did not say it was. As shown on page 3 of our petition, there was no finding by the Master or either Court of secondary significance attaching to the respondent's name, whereas the District Court, in effect, found that the name "Consumers" had acquired a secondary significance in the fuel business in the Chicago area indicating the petitioner, not the respondent. (Tr. 280, 304.)

As to advertising, respondent's volume was infinitesimal as compared with petitioner's. It ranged from $500 per

year up to $5,000 or $6,000 for the years 1925 to 1939 (Tr. 47), whereas petitioner's advertising of all its products for the years 1925 to 1941 totaled over $1,000,000. (Tr. 89, 90, 187.) The reason that respondent, with all the lexicon of names and trade-marks to choose from, copied petitioner's name and trade symbol (the seal) is perfectly plain, and it has offered no explanation whatever to rebut the natural inference from its conduct.

We will take space to comment on only one other point in respondent's Statement. On page 5 it says "The Circuit Court of Appeals sustained the Master both as to the facts and the law" on the injunction phase of the case. This is not true. As pointed out on page 8 of our petition, the majority opinion (Tr. 331) expressly declined to pass on the question of whether the Master's findings or those of the District Court should be accepted as presumptively correct, saying that the different result reached by the Court "was occasioned in the main by the application of different principles of law." The District Court rejected the findings of the Master in the exercise of the discretion vested in it by Rule 53 (e) (2), FRCP, and made its own findings. They are fully supported by the evidence and by common sense. The Court of Appeals would have had no right under Rule 52 (a) to reject them unless found "clearly erroneous", and it did not do so. Therefore the facts must be taken to be as set out in the District Court's findings. It is submitted that a reading of these findings (Tr. 300-305), and of the Court's comments on which they were based (Tr. 275-297), can leave no possible doubt of the grave error of the majority opinion in holding that, notwithstanding the facts thus found, an injunction should be issued restraining petitioner from engaging in the fuel oil business under the name by which it has been known to most of the residents of Chicago and its environs for 35 years.

The Authorities Relied On in Respondent's Brief.

On the point as to whether the basic legal question here involved is one of local or federal law, or to some extent both, the decisions cited on page 9 of the respondent's brief are among those we had in mind in saying on page 5 of our petition that it is primarily a matter of local law. However, decisions of the federal courts, insofar as they express the local law or are not in conflict therewith, are of course pertinent and those cited in the brief in support of the petition are of that nature. As above pointed out, the present case is not one based on peculiar facts (except as the attempt of a junior corporation, which undoubtedly adopted its name in bad faith, to prevent a senior one, which in good faith had earlier built up a valuable good will in the name in the same general field, presents a most unusual situation), and the only question involved is whether petitioner's continued marketing of fuel oil, honestly and in scrupulous good faith, constitutes, *per se,* unfair competition. No case is cited supporting in any fair way such a proposition. Not one of the eleven cases listed on page 10 of the brief is in any real sense parallel to the present one. Without taking space to comment on them individually it is clear that where injunctive relief was granted in litigation between private parties, fraud, palming off, or some other form of deceit, and usually also a strong secondary meaning in the plaintiff's name, was involved.

Most of these cases were summarized in Judge Minton's dissenting opinion. (Tr. 347.) None of them in the slightest degree refutes or is inconsistent with the rule gathered from a long line of cases referred to in the brief in support of our petition, namely that to entitle a private party to an injunction in a case involving the use of similar names there must be fraud, deception or palming off

on the part of the defendant, or at least the plaintiff's name must have acquired a secondary meaning. None of these elements being present here, there is no possible valid ground for an injunction.

With reference to respondent's attempt to draw a distinction on page 14 of its brief between cases of "confusion of source" and those of "confusion of goods", if there be in fact any such line of distinction it is clear that the above-stated rule by its very statement applies even more aptly to the former class of cases than to the latter.

Regarding the case of *Lady Esther, Inc.* v. *Lady Esther Corset Shoppe,* 317 Ill. App. 451, referred to on pages 10, 13 and 14 of respondent's brief, this case, as pointed out on pages 13 and 14 of our petition, was based on strong secondary significance (not present here), and also on an element of fraud in the adoption by the second-comer for a non-competing business of a distinctive and well known name closely similar to that of an established company, which would lead the public to believe that there was some connection between the two companies. Very plainly that is not anything like this case.

As we also pointed out in the brief accompanying our petition, the *Lady Esther* case established an exception for that particular kind of a case to the general rule that palming off is an absolute essential of an unfair competition case in Illinois. The court expressly said that in the cited cases establishing that rule there was direct competition between the parties "and therefore the palming off rule was applicable." A *fortiori,* it is applicable here and the majority opinion, in holding for the plaintiff on the injunction issue in the admitted absence of palming off, is very clearly in conflict with this explicit and definite rule of Illinois law.

The *Esso, Inc.* v. *Standard Oil Co.* case, 98 F. 2d 1, was a case in which the trade-mark "Esso" of the Standard Oil

Company of N. J. was being used by its subsidiary Esso, Inc. in the territory of the Standard Oil Company of Indiana, which had long used the initials "S O" as a mark of identification. This was a clear case of infringement in which use by the defendant of the phrase "Not connected with the Standard Oil Company (Indiana)" was held for obvious reasons to be inadequate to avoid confusion. To the public "Esso" or "S O" referred to the "Standard Oil Company" and few people would distinguish between the New Jersey and Indiana companies. The case plainly has no application here.

The majority opinion in the present case has no support in the decisions cited by respondent and is completely at variance with the decisions of the Illinois and federal courts referred to in the brief in support of our petition. It also amazingly disregards and goes counter to the equities of the case.

Conclusion.

Accordingly we again submit that the case presents a question of great importance to the public as well as to the petitioner which has been decided by the divided opinion in the Court of Appeals in a way definitely in conflict with the applicable Illinois and federal decisions and that for this reason the injunction issue should be reviewed by this Court on writ of certiorari.

Respectfully submitted,

JOSEPH B. FLEMING,
CARL S. LLOYD,
LLOYD M. BOWDEN,
Attorneys for Petitioner.

December ....., 1948.

FILE COPY

FILED
NOV 29 1948
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 395

CONSUMERS COMPANY,
Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION.

ALBERT E. JENNER, JR.,
HARRY G. HERSHENSON,
JAMES B. McKEON,
EDWARD H. HATTON,
Attorneys for Petitioner.

The Scheffer Printing Company, DElaware 7-7171

INDEX.

PAGE

Opinion Below 1

Jurisdiction 1

Question Involved 1

Statement 3

Argument 9

Conclusion 15

Table of Authorities.

Cases:

American Steel Foundries v. Robertson, 269 U. S. 372 ..... 10, 14

Arrow Distilleries v. Arrow Distilleries, (CCA 7, 1941), 117 F 2d 636 5

Esso Inc. v. Standard Oil Co., (CCA 3, 1938) 98 F 2d. 1 ..... 10, 13, 14

Fashion Originators Guild v. F.T.C., 312 U.S. 457 9

F.T.C. v. Algoma Lbr. Co., 291 U. S. 67 ..... 10, 14

Fruit Industries v. Bisceglia Corp., (CCA 3, 1939) 101 F 2d. 752 10

Hanover Star Milling Co. v. Metcalf, 240 U. S. 403 10, 14

Investors Syndicate v. Hughes, 378 Ill. 413 ..... 10, 13, 14

Johnson Mfg. Co. v. Johnson Skate Co., 313 Ill. 106 ..... 10, 14

Koebel v. Landlord's Protective Bureau, 210 Ill. 176 ..... 10, 14

Lady Esther Ltd. v. Lady Esther Corset Shoppe, Inc., 317 Ill. App. 451 ..... 10, 13, 14

PAGE

L. E. Waterman Co. v. A. A. Waterman Co., 229 Ill. App. 630 13

Morris Plan Bk. v. Henderson (CCA 2, 1942) 131 F 2d. 975 5

Pecheur Lozenge Co. v. National Candy Co., 315 U. S. 666 9

Phillips v. Governor & Co., etc., (CCA 9, 1935) 79 F 2d. 971 13

Santa Cruz Oil Co. v. Allbright-Nell Co., (CCA 7, 1940), 115 F 2d. 604 5

United Drug Co. v. Rectanus, 248 U. S. 90 10

Waterman v. Modern Pen Co., 235 U. S. 88 10

Miscellaneous:

Rule 53(e)(2), Federal Rules of Civil Procedure 5

Nims, *Unfair Competition*, 4th Ed., p. 213 13

IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

CONSUMERS COMPANY,

Petitioner,

vs.

CONSUMERS PETROLEUM COMPANY,

Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION.

Opinion Below.

The opinion of the Circuit Court of Appeals for the Seventh Circuit is reported in 169 F. 2d 153, and may be found in the transcript of the record at pages 328-349.

Jurisdiction.

Jurisdiction of this Court has been invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925.

Question Involved.

Whether the decision of the Circuit Court of Appeals merits review, where that Court affirmed the findings, conclusions, and recommendations of a Master in Chancery, to whom the cause was referred, that petitioner had unlawfully and unfairly competed with respondent in the

use of its corporate name and trade name "Consumers" in the light of findings of fact of the Master concurred in and approved by the Circuit Court of Appeals: that respondent was the first to use its corporate name "Consumers Petroleum Company" and trade name "Consumers" in the marketing, sale, and distribution of fuel oil in Chicago and environs; that it commenced the use of the trade names immediately upon its organization and entry into the fuel oil distribution business in December, 1925; that although the name "Consumers" was then in general use as a trade name, no company or person was then employing the name in the fuel oil business; that respondent rapidly built up a large volume of business, established bulk plants, purchased a fleet of oil delivery trucks, engaged door to door salesmen, advertised extensively, and built up "a very valuable good will" for respondent company, its business, its products and its trade names (CCA Op., Tr. p. 333); that petitioner, while first incorporated (1913), had confined its business to the sale and distribution of hard fuels such as coal and coke until the fall of the year 1938, when for the first time it entered the business of the sale and distribution of fuel oil in the Chicago area on its own account and under its corporate name and the name "Consumers" (CCA Op., Tr. p. 333); that no confusion existed in the minds of the fuel oil purchasing public as between petitioner and respondent prior to 1938, but that when petitioner entered the fuel oil distribution business on its own account in 1938 considerable confusion arose and has persisted?

Statement.

Petitioner seeks review of a decision by the Circuit Court of Appeals for the Seventh Circuit affirming findings, conclusions, and recommendations by a Master in

Chancery that petitioner had unfairly competed with respondent in the sale and distribution of fuel oil in the Chicago area on its own account and under its corporate name and trade name "Consumers". Petitioner's summary and short statement of the matter involved and statement of the facts contained in its petition are inaccurate and incomplete. Petitioner argues the case on non-existent or rejected facts, and its statement of the case makes no mention of the crucial fact that the action was referred to and tried wholly before a Master in Chancery. Petitioner never directly refers to this fact, but would have this Court believe that the cause was tried initially by the District Court. The District Court on objections to the Master's report sustained those objections, but himself heard no evidence, and accepted the record as made before the Master. The Circuit Court of Appeals on review sustained the findings of the Master on the evidence, found that petitioner was guilty of unfair competition, found that respondent was entitled to the equitable relief prayed for in its complaint, but denied respondent's claim for lost profits.[1] The case sought to be stated by the petitioner is not the case which was before the Master and the Circuit Court of Appeals. Petitioner argues not this cause, but some non-existent fictitious pro-

[1] The denial by the Circuit Court of Appeals of respondent's claim for lost profits is the subject of a separate cross petition for a writ of certiorari in Cause No. 425 filed November 18, 1948, with the Clerk of this Court. That cross petition challenges the decision of the Circuit Court of Appeals on a federal procedural issue of great importance in unfair competition cases which decision on this single feature of the case at bar is in conflict with decisions of this Court and the lower federal courts. The issue which petitioner seeks to review here, as will be pointed out, concerns only an issue of substantive local law (i.e., the fact of unfair competition), which was correctly applied by the Circuit Court of Appeals.

ceeding found only in the inventive imaginings of its able counsel.

The action was brought by respondent, Consumers Petroleum Company, an Illinois corporation, against Consumers Company of Illinois, a Delaware corporation, charging the latter with unfair competition in using its corporate name and the trade name "Consumers" in the sale, distribution, and marketing of fuel oil in Chicago and its immediate environs. Respondent sought injunctive relief as well as an accounting for lost profits which it alleged it had suffered as a result of petitioner's wrongful conduct. Petitioner filed counterclaims alleging respondent rather that itself to be guilty of unfair competition, and seeking injunctive relief and an accounting for lost profits. The complaint and counterclaims were based on substantially the same factual premises and legal theories. Each of the parties alleged confusion to have existed in the minds of the public as between respondent and petitioner, and each sought to attribute responsibility for the confusion to the other. Respondent alleged that it had served a written protest and demand on petitioner prior to suit to desist from respondent's course of unfair competition.

The case was referred to a Master in Chancery, who after hearing and considering a large amount of evidence in the course of extended hearings, filed an elaborate report in which he found the facts and law in favor of respondent, found petitioner guilty of engaging and persisting in the course of unfair competition alleged in the complaint, and recommended that petitioner be enjoined from using its corporate name and trade name "Consumers" in the sale, distribution, and marketing of fuel oils in Chicago and environs, and that it account to respondent for lost profits in the sum of $167,348.62 suf-

fered by respondent as a consequence of the course of unfair competition. The Master recommended that petitioner's counterclaims be dismissed for want of equity.

The District Court sustained exceptions to the Master's report, and ordered both the complaint and the counterclaims dismissed. The District Court heard no evidence, and despite the fact that there was an abundance of evidence to support the Master's findings and despite the requirements of Rule 53(e)(2) of the Federal Rules of Civil Procedure, refused to follow the Master's findings and recommendations, but adopted its own.[2]

Respondent appealed. Petitioner did not appeal from the dismissal of its counterclaims. The Circuit Court of Appeals sustained the Master both as to the facts and the law on the issue of unfair competition and respondent's right to injunctive relief, but affirmed the judgment of the District Court only insofar as it denied respondent's claim for lost profits which the Master had awarded to it. The following summary of facts are those found to be established by the Master and concurred in and approved by the Circuit Court of Appeals.

Respondent, Consumers Petroleum Company, an Illinois corporation, was incorporated in December, 1925. It immediately ventured upon and from that time to the present has engaged exclusively in the business of marketing fuel oils for domestic and industrial heating and power purposes in Chicago and environs, using the name "Consumers" and its corporate name "Consumers Petroleum Company" as trade names. Respondent was one of

---

[2] Cf., Santa Cruz Oil Co. v. Allbright-Nell Co. (CCA 7, 1940), 115 F. 2d 604, 607-608; Arrow Distilleries v. Arrow Distilleries (CCA 7, 1941), 117 F. 2d 636, 638-639; Morris Plan Indus. Bank v. Henderson (CCA 2, 1942), 131 F. 2d 975, 976-977.

the first to engage in the sale and distribution of fuel oil in the Chicago area, and was admittedly the first company in the Chicago area to market fuel oil under the name "Consumers" although the name was then in widespread use in that area by various companies, corporate and otherwise, conducting a variety of other businesses. The industry, at the time respondent entered it, was in its infancy since the mechanical domestic fuel oil burner was in the stage of successful development. The industry was from its outset in direct competition with the well entrenched and flourishing coal and coke industry. In 1925 petitioner's predecessor, Consumers Company, an Illinois corporation organized in 1913, was a well established company engaged vigorously in the sale and promotion of hard fuels (coal and coke) for domestic and industrial heating purposes to the exclusion of fuel oil and any other substitute for coal and coke. It had never engaged in the sale and marketing of fuel oil, and was not so engaged when plaintiff entered the fuel oil business in 1925.

Commencing immediately with its entry into the fuel oil business, respondent expended and ventured large sums of money in the erection, maintenance, and expansion of plant facilities, the purchasing and operation of oil truck fleets, the establishment, maintenance, expansion of its sales, office, and mechanical force, and the extensive advertising of its corporate name and the name "Consumers" as trade names. The Master found and the Circuit Court of Appeals approved the finding that respondent had succeeded in building up "a very valuable good will" (CCA Op., Tr. p. 333).

Petitioner, Consumers Company of Illinois, a Delaware corporation, was incorporated in 1937. Petitioner had

been formed and incorporated in Delaware pursuant to an approved plan of reorganization as successor to a 1913 Illinois corporation which had undergone bankruptcy proceedings early in 1934. In 1927, long after respondent had entered the fuel oil sale and distribution market, petitioner's predecessor began the limited sale and marketing of fuel oil, not on its own account or under its own name, or as its product, but only as sales agent for the Standard Oil Company of Indiana. When petitioner succeeded the old company in 1937, it continued the Standard Oil agency agreement in the same manner as its predecessor. It and its predecessor advertised the fuel oil products as those of and guaranteed by Standard Oil Company, and employed the Standard Oil Company trade names "Stanolind" and "Stanolex." Deliveries were made by Standard Oil Company in its trucks directly to the user. Unlike respondent, neither petitioner nor its predecessor had any fuel oil plant, bulk station, or similar facilities, nor any fuel oil trucks nor any fuel oil sales staff as distinguished from its coal and coke sales staff. Its volume, even as agent for Standard Oil, was extremely negligible. It sold for and on behalf of Standard Oil a mere 186,000 gallons per year over an eleven year period, concerning which the Circuit Court of Appeals observed that "It is pertinent to note that defendant's fuel oil business was an infinitesimal part of its business." No sales were made under its corporate name or the name "Consumers" (CCA Op., Tr. p. 333). During this period no confusion arose among the buying public as between respondent and petitioner and its predecessor as sources of supply of fuel oil. This fact was emphasized by both the Master and the Circuit Court of Appeals.

However in the year 1938 the situation changed radically in that petitioner terminated its relation with Stand-

ard Oil Company and for the first time entered the fuel oil business on its own account and under its corporate name and the name "Consumers" as trade names in competition with others in the field in the Chicago area, particularly respondent. It created a fuel oil department in its organization, and announced to its stockholders (March, 1939) that it had entered the fuel oil business. No mention of fuel oil business had been made in any prior report (CCA Op., Tr. p. 333).

Petitioner and its predecessor were fully cognizant of the nature and extent of respondent's operation, including the use by respondent of its corporate name and the name "Consumers" as trade names as early as 1936 (CCA Op., Tr. 333-335), and while petitioner's radical change in business policy effective in 1938 was found not to be activated by fraud or bad motive, it was found to have been deliberate.

For the first time public confusion immediately arose and thereafter persisted as between respondent and petitioner as sources and purveyors of fuel oil, whereas no confusion had arisen at any time during the preceding eleven years. This fact was emphasized by both the Master and the Circuit Court of Appeals (CCA Op., Tr. p. 332-333). Both respondent and petitioner alleged such confusion to have existed, and introduced evidence establishing the fact of such confusion from and after 1938, the date of petitioner's entry into the fuel oil field. Respondent made written protest and demanded that petitioner cease its course of unfair competition. Petitioner ignored this demand, and has persisted and is still persisting in the course of conduct which both the Master and the Circuit Court of Appeals found to be wrongful. Within a month after service of its protest, respondent commenced this action.

ARGUMENT.

1. Petitioner contends that the Circuit Court of Appeals decided an important question of law in a way in conflict with the applicable decisions of the Illinois courts and with applicable decisions of this Court and of other United States Courts of Appeal.

The fact of unfair competition is one of local law, as has been specifically held by this Court. See e. g., *Fashion Originators Guild* v. *FTC* (1941), 312 U. S. 457, 468; *Pecheur Lozenge Co.* v. *National Candy Co.* (1941), 315 U. S. 666, 667. The decision by the Circuit Court of Appeals, like most decisions in the field of unfair competition, primarily rests on the peculiar facts of each individual case. The findings of the Master, which were approved by the Circuit Court of Appeals, establish the fact of unfair competition, and establish the need of injunctive relief as prayed for in plaintiff's complaint. The compelling facts are summarized by the Circuit Court of Appeals at pages 333-335 of the record. Petitioner in this Court, as in the Courts below and before the Master, primarily asserts that an individual or corporation has a property right in its name and an inherent right to use it if it is lawfully possessed or acquired. It would seem too apparent to need the support of any authority that a corporation has the right to use its name as a trade name only if it does not compete unfairly by reason of such use. Where a name is used by a later competitor which leads the public to understand that those goods are the product of a concern already established and well known under that name, then the law will require the junior in the particular field of competition to desist

from this unfair trade practice, to end the resulting confusion of source or origin. These decisions are discussed by the Circuit Court of Appeals at pages 337-341 of the record and fully and adequately sustain that proposition. See e.g., *Waterman* v. *Modern Pen Co.*, 235 U. S. 88, 94; *Johnson Mfg. Co.* v. *Johnson Skate Co.*, 313 Ill. 106, 125; *Koebel* v. *Landlord's Protective Buerau*, 210 Ill. 176, 183; *Investors Syndicate* v. *Hughes*, 378 Ill. 413, 424; *Lady Esther, Ltd.* v. *Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451. See also *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 380; *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, 415; *United Drug Co.* v. *Rectanus*, 248 U. S. 90, 97; *FTC* v. *Algoma Lbr. Co.*, 291 U. S. 67, 81; *Esso Inc.* v. *Standard Oil Co.*, (CCA 3, 1938) 98 F. 2d. 1, 6; and *Fruit Industries Ltd.* v. *Bisceglia Corp.*, (CCA 3, 1939) 101 F 2d. 752, 754. The Court concluded from these cases that a person or corporation may acquire a property right in a generic, non-descriptive trade name only by actual use of such name in connection with the goods being merchandised by the corporation; that defendant acquired no property right in the trade name "Consumers" as applied to fuel oil "for the reason that it did not use such name in that connection until 1938 and long prior to that time the trade name had been appropriated and used by the plaintiff in connection with such business. As a corrollary, plaintiff in 1925 had a right to appropriate and use the name in connection with fuel oil." (CCA Op., Tr. p. 340). The issue of whether the foregoing constituted unfair competition was decided adversely to petitioner by the Master, whose findings were affirmed by the Circuit Court of Appeals. The authorities relied on by the Circuit Court of Appeals amply and abundantly supports its decision on the finding of unfair competition.

2. Petitioner contends (Petition, p. 5) that the effect of the decision will prevent businesses from entering new fields of competition. This does not follow. A company may enter a new field, but it cannot engage in unfair competition when it does so. Petitioner argues that it was natural to expect it to extend its business from coal and coke to fuel oil. This we do not deny, but it cannot engage in the new field in a manner inimical to one already in the field. The rule is well established that when generic, non-descriptive terms such as "Consumers" are employed as trade names, the good will attaches only to the particular commodities marketed by the company under that name. In other words exclusive right to the use of general trade names applies only to the extent of prior use of the name. The Circuit Court of Appeals fully discussed this proposition (Op., Tr. pp. 335-336). The cases there cited are representative of many decisions so holding. The limited protection extends only to petitioner's right to the name "Consumers" in the sale of articles such as coal, coke, and building materials, which were sold by it under that trade name. Petitioner seeks to invoke a discredited rule of law which would give it power to exclude any competitors from fields of endeavor in which it might engage some time in the future. The effect would be to give a monopoly to petitioner of the name "Consumers." Furthermore it was respondent, not petitioner, who acquired the good will, the large business, and the institutional reputation, with respect to the sale of fuel oil under the trade name "Consumers." In addition fuel oil was a competitor of coal and coke for heating purposes. Consumers Company was a very large merchandiser of coal and coke, and it was not until 1938 that it realized there was a substantial future in the sale of fuel oil, and that its coal and coke

business was falling off markedly because of the competition of fuel oil. Consumers Company fought the incursion of fuel oil in the heating fuels business. The infinitesimal amount of business done by Consumers Company as agent for Standard Oil Company during the period 1927-1938 stands as eloquent proof of Consumers Company's attitude toward fuel oil. After respondent had early entered into the fuel oil field, taken the risks of the business, and developed the marketing of fuel oil for commercial and domestic consumption to an extremely successful degree, then and only then did petitioner enter the fuel oil field, and begin its course of unfair competition.

3. Petitioner (Petition, p. 6) states that the writ should be allowed to resolve any doubt on the question of law involved, (*what* question of law, it does not reveal), because it says two of the federal judges who considered the case opposed the opinion of the other two. We did not know until proposed by petitioner, that this had ever been advanced as a ground for granting *certiorari*. This argument finds no support in the authorities or rules of this Court for granting petitions for writs of *certiorari*. In any event the numerical account is highly inaccurate in that the case was first heard by a Master as the sole trier of the facts, who held for respondent; the District Court (although hearing no evidence) sustained objections to the Master's report; and the Circuit Court of Appeals upheld the Master's findings, conclusions, and recommendations with respect to the fact of unfair competition and the need for injunctive relief.

4. Petitioner asserts that if respondent's interpretation of the majority's opinion should prevail, then petitioner will be enjoined from the use of its corporate name in the fuel oil business. Respondent asked that pe-

titioner be enjoined from using its corporate name or the trade name "Consumers" in the sale and marketing of fuel oil. Petitioner itself, by its counterclaims, asked for exactly the same relief against respondent. The Master determined that this was the kind of relief which respondent should receive to end the confusion of the buying public and prevent petitioner from continuing its reckless and deliberate course of unfair competition to the injury of respondent in its property rights in its corporate and trade names. The Circuit Court of Appeals found the fact of unfair competition to have been established and that respondent was entitled to injunctive relief as prayed for. The form of the equitable relief is peculiarly within the discretion of the trier of fact. Under the facts of the case at bar it cannot be said that the Master and the Circuit Court of Appeals, in affirming his recommendations in this respect, abused their discretion. There is ample authority for the granting of such relief where it is thought necessary and appropriate. See e.g., *Esso Inc.* v. *Standard Oil Co.*, (CCA 8, 1938), 98 F 2d. 1, 7; *Phillips* v. *Governor & Co.*, etc. (CCA 9, 1935) 79 F 2d. 971, 973-5. The Illinois courts have approved the use of an injunction enjoining the use by an unfair competitor of its corporate name as a trade mark. See e.g., *Lady Esther, Inc.* v. *Lady Esther Corset Shoppe* (1943) 317 Ill. App. 451; *Investors Syndicate* v. *Hughes* (1946), 378 Ill. 106. See also, *L. E. Waterman Co.* v. *A. A. Waterman and Co.*, (1923) 229 Ill. App. 630; Nims "Unfair Competition" 4th Ed., p. 213. In the *Waterman* case the Illinois Court stated that the explanatory phrase device even in a personal name case on the facts of the case before it was insufficient protection as between direct competitors, that it served to increase confusion, and that it did not in any way protect against encroach-

ment, erosion, and appropriation of a trade name by another, but rather had the opposite effect.

6. Petitioner claims (Petition, pp. 13-15) that in the absence of palming off, secondary meaning, or fraud no relief may be granted. Throughout the entire case petitioner completely misconceived the issue, which was one of confusion of source, and not confusion of goods. The case at bar involved confusion of source, a confusion alleged by both parties in their pleadings, and established by their proof. This was not a case of incidental confusion, but was a case of actual confusion as pointed out by the Circuit Court of Appeals (Op., Tr. p. 341) requiring the intervention of a court of equity to determine the rights of the parties and to enforce those rights to end that confusion. This has been done in the case at bar, and petitioner's only complaint is that it was the guilty party. The Circuit Court of Appeals discusses and fully distinguishes the applicable authorities advanced by petitioner (Op., Tr. pp. 341-342). The Illinois authorities fully support the decision of the Circuit Court of Appeals that actual confusion of source is sufficient to invoke the jurisdiction of a Court of equity. See e.g., *Johnson Mfg. Co.* v. *Johnston Skate Co.*, 313 Ill. 106, 125; *Koeble* v. *Landlord's Protective Bureau*, 210 Ill. 176, 183; *Investors Syndicate* v. *Hughes*, 378 Ill. 413, 424; and *Lady Esther Ltd.* v. *Lady Esther Corset Shoppe, Inc.*, 317 Ill. App. 451. See also *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 380; *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, 415; *FTC* v. *Algoma Lbr. Co.*, 291 U. S. 67, 81; and *Esso, Inc.* v. *Standard Oil Co.*, (C. C. A. 3, 1938) 98 F. 2d, 1, 6. Furthermore "secondary meaning" means nothing more than that the buying public has come to associate a name with a source. It is synonymous with good will. The Master found and the Circuit Court of Appeals approved the finding that respondent in the case at bar

over a course of the years had acquired a large amount of good will in the sale and marketing of fuel oil. The admitted fact of actual confusion is sufficient to establish this. The large investments made by plaintiff in fuel oil trucks, advertising, bulk plants, and in the sale of its products identified it as a source of fuel oil to its 15,000 customers. This was the real, valuable and tangible property right which the Circuit Court of Appeals found had been infringed. Under the facts of the case we are at a loss to determine petitioner's argument in this respect.

CONCLUSION.

Petitioner has set forth no grounds or reasons which should impel this Court to grant its petition for a writ of *certiorari* as prayed for by petitioner. The petition essentially presents only issues of local law. For the reasons stated, it is respectfully submitted that the decision of the Circuit Court of Appeals sought to be reviewed merits no further review by this Court. The finding of unfair competition and the granting of injunctive relief are abundantly supported by the facts of the case at bar and by the mass of authorities relied on by the Circuit Court of Appeals. It is therefore respectfully submitted that petitioner's application for writ of *certiorari* should be denied.

Respectfully submitted,

ALBERT E. JENNER, JR.
HARRY G. HERSHENSON,
JAMES B. MCKEON,
EDWARD H. HATTON,
Attorneys for Respondent.